



SENATE HEALTH POLICY COMMITTEE

SMALL BUSINESS ASSOCIATION OF MICHIGAN (SBAM)

March 1, 2012

Thank you for the opportunity to provide written testimony regarding SB 414, 415 and 981. This testimony is submitted by Scott Lyon, Vice President, Small Business Services. SBAM is a state association representing over 13,500 Michigan-based small businesses. SBAM has members of every business type and in every Michigan county.

SBAM is opposed to SB 414 & 415 and opposed to SB 981 **as written**. Over the last few weeks, we have been in discussion with the administration and legislative leaders on a potential compromise. We are encouraged that they understand our issues, and that some progress has been made. Unfortunately, the current language is not yet there.

SBAM has a long-standing policy against any and all health insurance mandates. Our members report to us that the rising cost of health insurance is among the most important issues facing small business today. With skyrocketing costs, fewer business owners are able to afford coverage for their workers. Not only does this mean fewer families with insurance, adding additional cost with a mandate puts Michigan at a competitive disadvantage with other states. As a result, we take strong exception to any mandate, as we believe mandates increase our members' health insurance premiums.

Mandates are uniquely a small business issue because they **only impact small employers** and individuals who purchase fully-insured health insurance programs. **A mandate only applies to private group health plans and HMOs, therefore reaching only 20 – 25 percent of Michigan residents and missing every Michigander with Medicaid/Mi Child coverage, every uninsured, most every employee of a company with more than 100 employees, including all the people covered by the State's health insurance program.** Why is this? Most companies with more than 100 employees self-insure their health care programs and these companies enjoy something called the ERISA exemption. The Employee Retirement Income Security Act (ERISA) preempts state insurance laws and therefore all state mandated benefits. This ERISA exemption is exactly why the new health insurance claims tax, that will fund the state's portion of Medicaid, was written the way it was.

Further, please understand that **the number of Michigan companies with fewer than 50 employees offering health insurance has dipped under 39 percent and that number is down 5.4 percent over the last two years.** Cost is the reason for the decline and mandates compound the problem by adding additional costs and therefore driving up the number of the uninsured. SBAM members pay over \$9,000/year/employee for health insurance and premium increases average double digits. Adding a percent here and a percent there to cover a new mandated benefit is death by a thousand cuts.

We understand the long term costs of not doing anything, and we are encouraged by the Snyder Administration and Senate leadership's willingness to address the major issue of cost by recommending an appropriation for reimbursement. That said, we still must ask, are there not better answers than a mandate? As this conversation progresses, we are looking for long-term, sustainable, value-based solutions that do not force additional costs onto the backs of the small business community.

We look forward to further discussions as this issue moves through the legislative process. Thank you.